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FEDERAL RESERVE BOARD

Amendments to Regulations D and Q dealing with reserve requirements and savings deposits were recently offered in two notices and requests for comment from the Board (see the 8/30/82 Fed. Reg., pp. 38137-40). The amendment to Regulation Q increases the maximum size limitation on business savings accounts at member banks to $250,000. Currently, member banks are not permitted to accept savings deposits in excess of $150,000 per depositor from organizations operated for profit. Comments on this proposal are requested by 10/1/82. The second amendment deals with both Regulations D and Q, and would reduce the minimum maturity of all time deposits to seven days. The Board is interested in receiving public comment concerning the potential implications for maintaining the distinction between transaction accounts and time deposits and for bank liquidity of allowing shorter terms for time deposits. Comments on this proposal are requested by 10/29/82. For additional information on both proposed amendments contact Gilbert Schwartz at 202/452-3625.

OFFICE OF MANAGEMENT AND BUDGET

An implementation regulation for the Paperwork Reduction Act of 1980 has been proposed, according to OMB officials. OMB has been fulfilling its obligations under the act, but the new regulation will set some new standards for paperwork reduction, and resolve questions concerning the extent of OMB's review and approval of paperwork requirements under existing laws and regulations. The proposal states that OMB will continue its obligations under the act to review all government forms, surveys, questionnaires, disclosure requirements and reporting and recordkeeping requirements in each new regulation. Some of the policies established by the regulation include: one should not be required to report information more than quarterly; one should not be required to submit information in less than 21 days, or to submit more than an original and two copies of any document; one should not be required to retain any records, other than health or medical records, for more than four years; and, separate and simplified requirements should be developed for small businesses. The new regulation addresses the conflict by calling for notice and comment periods if OMB review determines changes must be made in existing regulations to reduce paperwork. After publication of the proposal in the Federal Register, expected the week of 9/6, there will be a 45 day period for comments.

SECURITIES AND EXCHANGE COMMISSION

The Commission extended its shelf registration rule for an additional year and agreed to recommend to Congress legislation which would impose stiff penalties for insider trading at a 9/1/82 open meeting. The Commission extended the life of Rule 415 on shelf registration to 12/31/83, from the original expiration date of 12/10/82. Commissioner Barbara Thomas dissented from the Commission action on Rule 415, indicating that she would prefer the rule be limited to debt issues. The Commission also changed a related rule to give two classes of borrowers (foreign governments and public utility holding companies) treatment similar to that provided under Rule 415. At the same meeting, the Commission agreed to recommend that Congress enact the "Insider Trading Sanctions Act of 1982" to impose stiff penalties for insider trading violations. The draft legislation which the SEC agreed to send to Congress would give the Commission authority to impose a civil money penalty for insider trading violations. In addition, the proposal would increase the SEC's authority to impose fines for criminal violations of the Securities and Exchange Act of 1934 up to a maximum of $100,000, an increase from the current maximum of $10,000.

TREASURY, DEPARTMENT OF

Regulations relating to the allocation and apportionment of deductions for computing taxable income from within and outside the U.S. have recently been proposed by the IRS (see the 8/30/82 Fed. Reg., pp. 38149-50). Currently, the rules for allocation and apportionment of deductions contained in Sec. 1.861-8 apply only for taxable years beginning after 12/31/76. The proposals would provide taxpayers the option of applying certain rules in Sec. 1.861-8 to taxable years beginning before 1/1/77. Comments are requested by 10/29/82. For additional information contact Donald K. Duffy at 202/566-4336.

Advance proof copies of some 1982 income tax forms were recently released by the IRS. Many of the forms have been substantially revised to reduce the reporting burden for filers and make the forms easier to complete. The release includes Forms 1040, 1040A, 1120, 2106, 3468, 4136, 4562 and 5884. Also included are Schedules A through G,R,RP and SE. An entirely new Form 1040EZ for single individuals who meet certain conditions, has been added this year. Note that these proofs are subject to change and OMB approval before being released for printing in late September. The release indicated that the IRS would appreciate comments on any technical problems with the forms and can be contacted at 202/566-3834. Copies of the advance proof forms can be obtained from the Washington Report at 202/872-8190, ext. 47.

A new $500 penalty for overstating exemptions from withholding on W-4 tax forms will be implemented according to temporary and proposed rules recently issued by the IRS (see the 9/1/82 Fed. Reg., pp. 38552-3). The temporary regulations are effective for actions after 12/31/81, the effective date of the new penalty which was enacted as part of the Economic Recovery Tax Act of 1981. Under the ERTA, Congress raised the penalty to $500, from $50, for situations in which an individual makes a statement with respect to wage withholding which decreases the amount of income taxes that properly should be withheld under tax code Sec. 3402. The penalty applies if the taxpayer has no reasonable basis for the statement at the time he makes it. Comments are requested by 11/1/82. For additional information contact Barry L. Wold at 202/566-3828.

Inclusion of timber, coal and domestic iron ore within the definition of "property used in the trade or business" affecting sellers of these resources, is the subject of final regulations issued by the IRS (see the 9/1/82 Fed. Reg., pp. 38514-5). The document, according to the IRS, clarifies existing regulations and provides that timber, coal and domestic iron ore, to which section 631 of the Code applies are treated as "property used in the trade or business" subject to section 1231 treatment. This revision also clarifies that timber, coal and domestic iron ore to which section 631 does not apply are also subject to section 1231 treatment if they otherwise meet the requirements of section 1231 of the code. For additional information contact John Tolleris at 202/566-3294.

Proposed regulations relating to the availability of energy investment credit for qualified intercity buses under the Crude Oil Windfall Profit Tax Act of 1980 have recently been issued by the IRS (see the 9/3/82 Fed. Reg., pp. 38918-21). The act allows the 10 percent energy investment credit for intercity buses engaged in providing passenger or charter service which are regulated by the Interstate Commerce Commission. However, the credit only applies to the extent that the seating capacity of a fleet is increased over that preceding year. Under the proposals, two tests are established in order for intercity buses to qualify for the credit. The first requires that 90 percent or more of the miles driven during the year are to provide passenger transportation. Under the second test, 90 percent of the miles driven to provide such service must be for intercity travel, rather than local transporation. The proposals allow the credit to be taken for leased qualifying buses, with the eligibility being determined according to the lessee's use of the bus. If the lessee does qualify, the lessor may either take the credit itself or pass it through to the lessee. The amendments are proposed to be effective for the period beginning 1/1/80 and ending 12/31/85. Comments are requested by 11/2/82. For additional information contact Yerachmiel Weinstein at 202/566-3458.

Transitional rules relating to tax straddles are the subjects of temporary regulations recently issued by the IRS (see the 9/2/82 Fed. Reg., pp. 38688-93). The regulations relate to two elections under sections 508(c) and 509 of the Economic Recovery Tax Act of 1981 (tax straddles). The elections relate to the treatment of certain commodities and futures and forward contracts for purposes of sections 1092 and 1256 of the Internal Revenue Code of 1954. These elections govern all positions, including regulated futures contracts, held by the electing taxpayer. These temporary regulations will be effective until superceded by final regulations. These elections relate alternatively to certain positions in personal property, such as futures contracts held on 6/23/81, or to regulated futures contracts held during the taxable year beginning before 6/23/81, and ending after 6/22/81. For additional information contact Barry Wold at 202/566-3828.

Final regulations on the treatment of eligible property elected under the asset depreciation range (ADR) and retired by charitable contribution were recently issued by the IRS (see the 9/1/82 Fed. Reg., pp. 38514-5). These regulations, according to the IRS, correct a distortion with respect to treatment of such property arising under prior rules. The regulations would affect donors of such property, but will not impose new reporting or recordkeeping requirements and are effective with respect to property retired after 12/30/80. For additional information contact Harold Flanagan at 202/566-3294.

SPECIAL: AUDITING PRONOUNCEMENTS FOR CPAs IN GOVERNMENT ARE AVAILABLE

A compendium of certain accounting and auditing pronouncements of interest to CPAs in government has been prepared by the AICPA Committee on Members in Government. The listing includes pronouncements from the AICPA, the GAO, the GSA, the MFOA, the OMB and the SEC. Copies of the compendium are available for $1 for postage and handling by contacting Marti Dillon at 202/872-8190.

For additional information, please contact Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

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